



KPMG LLP  
Suite 1300  
221 N. Kansas Street  
PO Box 522551  
El Paso, TX 79999-0010

## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

The Honorable Mayor and Members of the City Council  
City of El Paso, Texas:

We have performed the procedures enumerated below, which were agreed to by management of the City of El Paso, Texas (the City), solely to assist the users in evaluating management's assertion about the City's compliance with the financial assurances as of August 31, 2004, included in the accompanying Local Government Financial Test (attachment 1) prepared by the City in accordance with the Texas Administrative Code (Title 30, Part 1, Chapter 37, Subchapter C) *Financial Assurance Mechanisms for Closure, Post Closure and Corrective Action*. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

As requested, we have performed the following agreed-upon procedures with respect to attachment 1 as of August 31, 2004 (cutoff date). These procedures have been performed using the definitions in attachment 2.

1. With respect to the Ratio of cash and marketable securities to total expenditures, we recomputed the ratio as of the cutoff date by dividing the cash and marketable securities by total expenditures. We compared the amounts that comprise the numerator and the denominator to the related amounts in the Comprehensive Annual Financial Report (CAFR) of the City as of and for the year ended August 31, 2004. We found such amounts to be in agreement with the amounts presented in the CAFR and the related computations to be arithmetically correct.
2. With respect to the Ratio of annual debt service to total expenditures, we recomputed the ratio as of the cutoff date by dividing the annual debt service by total expenditures. We compared the amounts that comprise the numerator and the denominator to the related amounts in the CAFR of the City as of and for the year ended August 31, 2004. We found such amounts to be in agreement with the amounts presented in the CAFR and the related computations to be arithmetically correct.
3. With respect to the Computation of excess revenue over expenditures, we recomputed the amount for the years ended August 31, 2004 and 2003 by deducting total annual expenditures from total annual revenue. We footed the amounts that comprise the total annual expenditures and total annual revenue and compared them to the related amounts in the CAFR of the City for the years ended August 31, 2004 and 2003. We found such amounts to be in agreement with the amounts presented in the respective CAFR and the related computations to be arithmetically correct.

4. We obtained a copy of the City's independent auditors' report included in the CAFR to determine whether the financial statements as of and for the year ended August 31, 2004 were prepared in accordance with accounting principles generally accepted in the United States of America. The report dated January 14, 2005 states that, in the auditors' opinion, based upon the audit and on the reports of other auditors, the financial statements present fairly, in all material respects, the financial position of the City as of August 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Mayor, Members of City Council, management, the Texas Commission on Environmental Quality, and the Environmental Protection Agency, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

January 14, 2005

**CITY OF EL PASO, TEXAS**  
Local Government Financial Test  
August 31, 2004

**(1) Ratio of cash and marketable securities to total expenditures**

	<u>August 31, 2004</u>
Cash and marketable securities	\$116,552,531
Total expenditures	\$426,483,085
Ratio of cash and marketable securities to total expenditures	27.3%
Requirement	Greater than or equal to 5%

**(2) Ratio of annual debt service to total expenditures**

Annual debt service	\$67,083,362
Total expenditures	\$426,483,085
Ratio of annual debt service to total expenditures	15.7%
Requirement	Less than or equal to 20%

**(3) Computation of excess revenue over expenditures**

	<u>Years ended</u> <u>August 31</u>	
	<u>2004</u>	<u>2003</u>
Total annual revenue	\$ 443,783,468	415,199,367
Total annual expenditures	<u>426,483,085</u>	<u>412,690,781</u>
Excess revenue over expenditures	<u>\$ 17,300,383</u>	<u>2,508,586</u>
Percent	3.9%	0.6%
Requirement	Must not have operated at a deficit equal to 5% or more of total annual revenue in each of the past two fiscal years	

**CITY OF EL PASO, TEXAS**

Local Government Financial Test – Definitions

August 31, 2004

The following terms used in the accompanying Local Government Financial Test are defined in the Texas Administrative Code (Title 30, Part 1, Chapter 37, Subchapter C) *Financial Assurance Mechanisms for Closure, Post Closure and Corrective Action* as follows:

- (A) Deficit equals the total annual revenues minus total annual expenditures.
- (B) Total revenues is the sum of total revenues of the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds; total operating revenues of the Enterprise Funds; and if positive, total non-operating revenue (net) of the Enterprise and Internal Service Funds.
- (C) Total expenditures is the sum of total expenditures of the General Fund, Special Revenue Funds, Debt Service Fund; total operating expenses before depreciation of Enterprise Funds; if negative, total non-operating revenues (net) of Enterprise Funds and Internal Service Funds; except if local government is not using accrual accounting and is not including depreciation in its expenditures, include routine capital outlays and debt repayment as a substitute for depreciation.
- (D) Cash and marketable securities is the sum of cash, cash equivalents (e.g., bank deposits, very short-term debt securities, money market funds), and current investments (e.g., interest- or dividend-bearing securities that are expected to be held for less than one year), in the General Fund, Special Revenue Funds, Debt Service Fund, Enterprise Funds, and Internal Service Funds as reported on the Comprehensive Annual Financial Report (CAFR) Combined Balance Sheet. Note that cash, cash equivalents, and current investments are included in this term even if they are: pooled; with a fiscal agent; or restricted, provided that the assets belong to the General Fund, Special Revenue Funds, Debt Service Fund, Enterprise Funds, and Internal Service Funds. Specifically excluded from this definition are accounts receivable, retirement assets, real property, fixed assets, and other non-current assets, as well as any assets (including cash) in Capital Project Funds.
- (E) Debt service is the sum of all amounts in any Debt Service category (including bond principal, other debt principal, interest on bonds, interest on other debt) in the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund as reported on the CAFR's Combined Statement of Revenues, Expenditures and Changes in Fund Balances/Equity, plus all principal and interest expense in Enterprise Funds and Internal Service Funds, as reported on the CAFR.

The City further refines the definitions provided above as follows:

- Total revenues referred to in item (B) are those of the primary government only.
- Total expenditures referred to in item (C) are those of the primary government only.
- Principal and interest referred to in item (E) relate to borrowings of the primary government only.